

# COAL SELF-BONDING

October 2016

## THE SITUATION



Coal mining companies are required to post bonds to ensure mines will get cleaned up even if the company goes bankrupt or refuses to pay for it. **The biggest coal companies can avoid the requirements to post bonds by convincing regulators they are too big to fail.** Instead, they post "self-bonds," which are effectively just promises to pay for the cleanup.

## WHY IS THIS A PROBLEM?

**Three of the biggest companies have already declared bankruptcy**, including Peabody, the largest coal company of them all. Many of the proposed settlements between the states and the coal companies have covered less than 20% of their cleanup costs. **More bankruptcies are imminent.** As they attempt to shed debt through restructuring, many coal companies are still trying to use self-bonding despite a track record of not being able to cover cleanup costs. At each turn, the taxpayer is left with the bill. And **if the taxpayer can't afford the bill, we pay with decades of drinking water contamination and threats to wildlife, including endangered species.**

## HOW'D WE GET TO THIS POINT?

**Coal companies we thought were too big to fail are now failing for a number of reasons.** The Great Recession in 2008 was the first blow, followed by cheap natural gas that is out-competing coal. Then many coal companies placed huge bets on China's need for a kind of coal that burns hot enough to work with steel -- and lost those bets.

## WHY SHOULD AMERICANS CARE?

**When coal companies don't pay for their cleanup, taxpayers are left holding the bill.** Coal mining sites that haven't been cleaned up can pollute drinking water and threaten wildlife for decades or more.

## THE FACTS

There have been nearly **50** **bankruptcies by coal companies** in the last 4 years (ThinkProgress)

**5** **states have already chosen to ban self-bonding for coal companies** and a 6th has pledged to join them this year (OSMRE)

## WHAT'S CONGRESS DOING?

**Nothing.** Dems introduced a bicameral bill - the Coal Cleanup Taxpayer Protection Act - to end the practice of self-bonding, but the House GOP has not allowed the bill to be considered in committee. Courts are trying to pick up some of Congress' slack by forcing some coal companies to get rid of their self-bonds as a condition of the bankruptcy process.



**Dems want coal self-bonding to end.** Coal companies should not be given a leg up just because they are enormous. Instead, they should have to buy surety bonds or collateral bonds to ensure that taxpayers are not left on the hook for cleaning up abandoned coal mines.



Republicans support continued use of self-bonding and believe replacing the self-bonds with sureties or collateral **requires the mines to tie up too much cash that could otherwise be used to do more mining.**

## HOW DO WE MOVE FORWARD?

The Office of Surface Mining has announced changes and proposed regulatory improvements. These are the best ways to immediately slow the use of self-bonding and reduce the risk to taxpayers. **Congress should also pass Democrats' bill, the Coal Cleanup Taxpayer Protection Act.**